



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 1/24/2006

**GAIN Report Number:** AR6004

## Argentina

## Concentrated Grape Juice

## Voluntary

## 2006

**Approved by:**

Kari Rojas  
U.S. Embassy

**Prepared by:**

Francisco Pirovano

---

**Report Highlights:**

Argentine Concentrated Grape Juice (CGJ) production is forecast to increase 14 percent in calendar year (CY) 2006 to 180,000 metric tons (MT) as grape crop is expected to yield 10 percent more than in CY 2005, or 3,000,000 MT. CGJ exports are expected to increase 16 percent to 160,000 MT. The United States will continue to be the main buyer, accounting for at least 50 percent of Argentine CGJ exports. Domestic consumption is expected to remain at similar levels as in CY 2005 at 20,000 MT.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Buenos Aires [AR1]  
[AR]

---

**Table of Contents**

<b>Section I. Situation and Outlook.....</b>	<b>3</b>
<b>Legal Framework .....</b>	<b>3</b>
<b>The Argentine National Wine Institute (INV) .....</b>	<b>3</b>
<b>Production .....</b>	<b>4</b>
<b>The Production Process.....</b>	<b>5</b>
<b>Trade.....</b>	<b>6</b>
<b>Prices .....</b>	<b>6</b>
<b>Section II. Statistical Tables .....</b>	<b>7</b>
<b>Argentina .....</b>	<b>7</b>

## Section I. Situation and Outlook

This report refers to the production and use of Concentrated Grape Juice 68-70 degrees Brix (CGJ) also known in Argentina as Concentrated Grape Must (CGM). This product is utilized as a natural sweetener. Its principal components, fructose and glucose, make this product an alternative to sugar cane as a sweetener. CGM is used in the preparation of marmalades and jams.

### Legal Framework

According to the Argentine National Wine law §14878, grape juice is the outcome of the grape crushing/processing before the fermentation process takes place. This juice must be filtered and stabilized by the addition of additives/ingredients approved by the Argentine Government (GOA) and according to specifications established by the Argentine National Food Code establishes.

There are different types of grape juice all of which are called Grape Must according to the aforementioned law:

1. Virgin Grape Must (VGM) is the outcome of the crushing process before the fermentation can take place.
2. Grape Must in fermentation is the one that is fermenting and will become wine.
3. Sulfated Grape Must (SGM) is the product that has been stabilized by means of adding sulfur dioxide (SO<sub>2</sub>) as established by the regulation. This can be turned into Concentrated Grape Must (CGM) with different degrees of concentration and acidity.

### The Argentine National Wine Institute (INV)

The INV is an autonomous government agency with headquarters in Mendoza province that is under the Secretariat of Agriculture of Argentina. Through the issuance of regulations, it enforces the Argentine Wine laws §14878 and §25163, and the National Alcohols law §24566. The INV main functions are:

- It approves and coordinates programs aimed at controlling the authenticity and quality of the wine and other grape products produced in Argentina. This control/verification is done in every stage of the production cycle, from the farm to the shelf. This involves 26,000 vineyards and 1,200 wineries.
- According to the National Alcohols law §24566, the INV approves and coordinates the programs aimed at verifying the production, transit and trade of all alcoholic beverages in Argentina. It inspects more than 750 distributors in the country.
- It is the technical and administrative agency that acts as the National authority on the recognition, protection, and registration of Geographic Names (Indicators).
- It encourages the development of new techniques that could make verification methods more efficient and up-to-date according to the international standards.
- It acts as a negotiator in issues that have to do with export certification of wines. It promotes measures that help increase wine exports.
- Updates the National Statistic Database on wine and alcohols. It is responsible for forwarding the data to the National Statistic System.
- It represents Argentina before the International Wine Organization participating in its expert groups, commissions, and sub commissions.

Registration: Every link in the production cycle must be registered with the INV: vineyards, wineries, grape juice concentrators, distributors, transportation companies, exporters, importers, dryers, breweries (except for beer breweries), and other alcohol producers.

Verification: technicians with expertise in every field are assigned to audit every stage of the production cycle and trade process.

See [www.inv.gov.ar](http://www.inv.gov.ar) for further information.

## Production

CY 2006 grape crop is forecast to yield 10 percent more than the previous year, or 3,000,000 MT. The INV has announced that if this forecast is met, 30-32 percent of the grape production will go to SGM. This means that CGM production in CY 2006 is expected to be 14 percent higher than in CY 2005 at 180,000 MT.

Argentine grape plantations are located throughout the country. However, Mendoza and San Juan provinces produce 67 and 27 percent of the Argentine grapes respectively. The table 1 in the section II of this report shows the area planted to grapes from 2002 to 2005.

Argentine grape production is mainly focused on the wine industry. In order to avoid high wine stocks, the INV sets the percentage of the grapes that will go to produce SGM every year. In CY 2006 this figure has not been announced yet, but unofficially it is said that it will be 30 percent, depending on the 2006 crop yield.

Ninety-four percent of the planted area to grapes is dedicated to the production of wine and grape juice. Therefore, CGM production is intimately related to the wine industry and in a way, it is a by-product of the wine industry. Up until the 1990's, table wine used to be popular among the Argentine working class. Throughout the years, habits changed and table wine consumption declined from 42 liters per capita per year in 1990 to the current 22 liters. Currently, the estimated grape surplus is calculated at the beginning of the season and is turned into must in its different kinds and concentrations.

Also, keeping a share of the grapes for the production of SGM is a way of controlling the cyclic annual wine surpluses. Argentina is characterized by its cyclic economy. Thus, purchasing power of its population can vary from year to year or even within the year. Despite the record high in wine exports, in CY 2005 wine domestic consumption fell 15 percent due to increases in wine prices in the domestic market in an environment of frozen salaries.

As mentioned before, the GOA tells all the wineries in Argentina to keep a share of the grape production to produce must. The wineries produce the SGM, which goes to the concentration plants and then is marketed in different concentrations and presentations. The concentration plants have the technology needed to process the SGM and turn it into concentrated must. There are 20 companies that process and export CGM. They also provide services to other producers/exporters. There are 36 exporters in Argentina.

There are 19 firms that contract the concentration plants' services. In this business the producers take the SGM to the concentration plant that complete the process and sometimes, even export the product. For this service the producer/exporter pays US\$150 per MT of CGM produced, which can be paid in cash or by the product. The concentration plants can, upon customer request, produce a diversity of CGM. Therefore, CGM can be Kosher, organic, of high acid content, rectified, and variety identified, in which case some countries as Japan use to produce wine.

## The Production Process

CGM is produced mainly with white grapes. Therefore, 95 percent of the 6,100,00 hectoliters (hl) of must produced in 2006 is derived from white varieties of grape.

Still in the winery, the grapes are crushed and SO<sub>2</sub> is added. The outcome will be SGM. This is done in order to stop the fermentation process and protect the juice against the development of fungi and others microorganisms. Sulfur also helps to stop some enzymatic activity that may alter the color and dissolves minerals and colorants contained in the grape juice.

The SGM is sent to the concentration plants. Upon receipt they filter and clarify the SGM. Then the SGM is heated to 100.4°, which concentrates it from 22° Brix to 68° Brix to yield a honey-like product. In the end, the pasteurization process takes place by heating the concentrated must at 176° during one minute. The outcome is a golden-yellowish, clean, and shinny product.

### Market Technical Specifications of the CGM

- Virgin Concentrated Must: It is concentrated grape juice that has SO<sub>2</sub> added.
- Regular Concentrated Must: It is the outcome of the Sulfated Must that has been concentrated and which has not undergone any correction process (color, Ph, etc).
- Clarified Concentrated Must: It is the Regular Concentrated Must that has been treated by means of activated carbon or in Cationic Exchanging Units until it reaches the characteristics requested by the customer.
- Acid Clarified Concentrated Must: It is similar to the above but more acid.
- Rectified Concentrated Must: It is the outcome of the concentration of the Sulfated Grape Juice that has been de ionized and decolorized. The outcome is a mix of natural sugars.
- Red Concentrated: It is the outcome of the crushing of any variety of red grapes.

## Trade

CY 2006 grape must exports are expected to increase 16 percent to 160,000 MT. Exports of CGM in CY 2002 were US\$46 million, in CY 2003 US\$51 million, in CY 2004 US\$70 million, and in the period January-November 2005 US\$110 million.

Currently, 36 companies export grape must. Ninety percent of the production of CGM is exported. The United States takes 50 percent of the Argentine CGM exports. Japan, Canada, The Russian Federation, Chile, and South Africa follow. Due to high import tariffs only a few exports of CGM have been made to the European Union.

<b>Import and Export Duties Grape Must (2009.69)</b>	
Outside MERCOSUR area	
Import tariff (%)	14.00
Statistical tax (%)	0.50
Export tax (%)	5.00
Rebate (%)	5.00
Inside MERCOSUR area	
Import tariff (%)	0.00
Export tax (%)	5.00
Rebate (%)	5.00

## Prices

Discussions around the price that the concentration plants will pay to the farmers in CY 2006 are on the table right now. The concentration plants are willing to pay US\$0.11 per liter of SGM while the farmers want at least US\$0.15 per liter of SGM. Those 4 cents per liter of SGM that are on dispute make the whole difference in terms of the farmer's profitability.

In CY 2004 the SGM had an average price paid to the farmer of US\$0.19 per liter. This fall in the prices in CY 2005 seem to stem from the concentration plants agreement with each other to keep the price down. According to the farmers association, the percentage of grape kept for the production of CGM set by the GOA is too high and therefore the grape market is oversupplied. To offset this negative effect created by the GOA intervention in the grape market, in CY 2006 the GOA will create a trust fund for small and medium size farmers. This fund will purchase up to 100,000 MT of grapes at minimum price of US\$110 per MT. The annual rate of interest will be 6.9 percent for a period of 180 days.

## Section II. Statistical Tables

Table 1 Concentrated Grape Must (2009.69) >31 Brix					
Country	Argentina				
Calendar Year	2002	2003	2004	2005	2006
Total area planted to grapes	208,000	211,000	213,000	214,000	215,000
Planted Area to grapes for crushing	143,000	144,000	147,000	150,000	155,000
Production of grape for crushing	2,200,000	2,230,000	2,600,000	2,700,000	3,000,000
Total VGM Production	17,100,000	17,600,000	20,200,000	21,300,000	23,100,000
Total SGM production	4,400,000	4,300,000	4,600,000	6,100,000	7,200,000
Beginning stocks	0	12,100	2,100	2,100	2,100
Total CGM production	110,000	110,000	117,000	155,000	180,000
Total CGM exports	77,900	97,000	97,000	135,000	160,000
Total CGM Imports	0	0	0	0	0
Total CGM domestic consumption	20,000	20,000	20,000	20,000	20,000
Ending stocks	12,100	2,100	2,100	2,100	2,100

Table 2. CGM FOB prices in US\$/Kg.								
	CY 2002		CY 2003		CY 2004		CY 2005	
	World	U.S.	World	U.S.	World	U.S.	World	U.S.
January	0.64	0.63	0.52	0.52	0.72	0.74	0.95	0.95
Feb	0.60	0.64	0.53	0.56	0.75	0.77	0.96	0.95
Mar	0.60	0.62	0.51	0.52	0.76	0.8	0.94	0.94
Apr	0.54	0.58	0.56	0.55	0.8	0.83	0.94	0.93
May	0.55	0.57	0.55	0.55	0.85	0.88	0.92	0.91
Jun	0.52	0.54	0.57	0.55	0.94	0.94	0.93	0.93
Jul	0.50	0.49	0.59	0.58	0.92	0.94	0.92	0.94
Aug	0.42	0.54	0.59	0.6	0.93	0.94	0.92	0.94
Spt	0.45	0.52	0.6	0.61	0.92	0.95	0.91	0.93
Oct	0.52	0.52	0.62	0.65	0.94	0.97	0.9	0.91
Nov	0.48	0.53	0.62	0.65	0.95	0.97	0.89	0.91
Dec	0.46	0.50	0.64	0.64	0.95	0.96		